

Bookkeeping Basics #1 – Understand the Fundamentals

Section 9 Quiz **with Answers****



When a company operates under "Cash Basis", income is recorded:

- When it is earned
- **When it is received****
- Monthly
- When the invoice is mailed to the customer

For a company operating under accrual basis, when a product is sold in June and the customer pays in July, the income is recorded in:

- **June****
- July
- When the owner decides it should be recorded
- Monthly

An Income Statement shows financial activity:

- On a specific date
- **Over a period of time****
- It depends on if the business operates under Cash Basis or Accrual Basis
- Only as of the last date of the fiscal year.

A Balance Sheet verifies:

- **The Fundamental Accounting Equation****
- The balance of accounts in any bank accounts (checking or savings)
- The balance of the Owner's Equity in comparison to the Income earned
- The balance of Accounts Payable or Accounts Receivable depending on how you prepare it

A Statement of Owner's Equity is prepared to reflect:

- **Activity over a period of time****
- Balances as of a certain date
- Only when there is actually activity that has occurred
- Only as a of the last day of the fiscal year.